



U.S.-KOREA TRADE AGREEMENT

Wisconsin Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Wisconsin agricultural products, including dairy and beef. Wisconsin's agricultural exports to all countries, estimated at \$2.2 billion in 2009, supported about 17,900 jobs both on and off the farm. These export sales make an important contribution to the Wisconsin farm economy, which had total cash receipts of \$7.6 billion in 2009.

Dairy Products. Wisconsin's dairy industry is the nation's largest exporter, and with cash receipts of \$3.3 billion or 43 percent of farm earnings in 2009, it is by far the state's largest agricultural industry. Under the KORUS agreement:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cattle and Beef. Wisconsin's cattle and calf industry accounted for cash receipts of \$726 million in 2009. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Feed Grains. Corn is the second largest source of state farm cash receipts with \$1 billion in 2009. The state is the nation's ninth largest exporter of feed grains and products.

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. The soybean industry with cash receipts of \$531 million, or seven percent of farm earnings in 2009, was the state's fourth largest source of farm revenue.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Vegetables and Vegetable Products including Pulses. As the nation's sixth largest exporter of fresh and processed vegetables, Wisconsin vegetable producers will benefit from this agreement.

- Tariffs on frozen potato fries and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-metric ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- Other products such as carrots, lettuce, dried mushrooms, and sweet corn, with duties currently ranging from 30 to 45 percent, will have tariffs phased out in either 5 or 10 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Wisconsin to World
Dairy Products	\$2,335,000,000	\$495,000,000
Cattle and Beef	\$6,703,000,000	\$193,000,000
Feed Grains	\$3,948,000,000	\$379,000,000
Soybeans and Products	\$17,709,000,000	\$342,000,000
Vegetables and Vegetable Products, Including Pulses	\$5,279,000,000	\$186,000,000
Agricultural Total	\$96,632,000,000	\$2,238,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.